

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name City of Brown City	County Sanilac County
Fiscal Year End March 31, 2007	Opinion Date May 31, 2007	Date Audit Report Submitted to State June 1, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

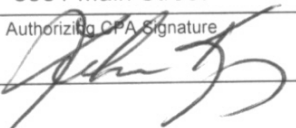
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Lehn L. King, C.P.A.		Telephone Number 989-635-3113	
Street Address 3531 Main Street		City Marlette	State MI
Authorized CPA Signature 		Printed Name Lehn King	Zip 48453
		License Number A248871	

# *City of Brown City*

**Sanilac County, Michigan**

Audited Financial Report

March 31, 2007

LEHN L. KING  
CERTIFIED PUBLIC ACCOUNTANT

3531 MAIN STREET  
MARLETTE, MICHIGAN 48453

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Phone 989-635-3113  
Fax 989-635-5580

May 31, 2007

The Honorable Mayor and  
Members of the City Council  
City of Brown City, Michigan

In accordance with your request, I have made an examination of the financial statements of the City of Brown City for the fiscal year ended March 31, 2007. During the course of my examination, the following material item has come to my attention:

1. Per P.A. 621 of 1968, the board does not have authorization to spend money that exceeds the budget. The budget must be amended prior to it being exceeded. Amendments to the budget must be detailed as to the increase and decrease amount of each line item being changed.

From an overall viewpoint, the books and records maintained by the City Accounting Staff are in good order. I thank the City officials and employees for the cooperation I received in the completion of this examination.

If I can be of any assistance or should any questions arise, please contact me.

Sincerely,

*Lehn King*

Lehn L. King  
Certified Public Accountant

**City of Brown City**  
Annual Financial Report  
For The Year Ended March 31, 2007

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To The Honorable Mayor and  
Members of the City Council  
**City of Brown City**  
Sanilac County, Michigan

**Independent Auditor's Report**

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Brown City, Michigan as of and for the year ended March 31, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Brown City, Michigan's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that the audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Brown City, Michigan as of March 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, I did not audit the information and express no opinion on it.

The Audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Brown City, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 1, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements, as of April 1, 2004.

*Lehn King*

Lehn L. King  
Certified Public Accountant

May 31, 2007

# **City of Brown City**

## **Management's Discussion & Analysis Letter**

### **For The Fiscal Year Ended March 31, 2007**

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#### **MANAGEMENT'S DISCUSSION AND ANALYSIS:**

Our discussion and analysis of the City of Brown City's financial performance provides an overview of the City's financial activities for the fiscal year ended March 31, 2007. Please read it in conjunction with the City's financial statements.

#### **Financial Highlights**

The City of Brown City ended the 2006-2007 fiscal year in relatively good financial condition. The City Council made some difficult decisions concerning the allocation of scarce financial resources, such as the purchase of industrial land in the Renaissance Zone, which will ultimately have significant long-term benefits for our community and residents. Another significant investment was completing the construction of a building adjacent to Well #4 to house the arsenic abatement facility provided by the Environmental Protection Agency. The City's cost for the building was a fraction of the \$268,000 price tag associated with the equipment and installation. Additional capital improvements for FY 2004-2005 included the continuation of the Brown City sidewalk program and a replacement police car and Department Of Public Works truck. There was no street enhancement program in 2004 in order to allow funds from sources such as the Sanilac County Road Millage and Act 51 money to accumulate to achieve the economies of scale associated with larger projects. The marginal increase in governmental operating costs reflected much higher than expected legal fees, as well as increased costs for materials and the operation of equipment. While overall City government has been fiscally conservative, the decrease in City reserves over the past two years, from \$502,218 to \$340,435, or 47.5%, indicates the need to carefully monitor future spending.

#### **Using this Report**

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34. GASB Statement 34 implements a new model of financial reporting for state and local governments. Specifically included for the first time is noncurrent assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. This additional information has been added to the City's financial statement in the belief that it will provide a more focused picture of the City's fiscal health.

#### **The City as a Whole**

The following table shows in a condensed format, the net assets as of the current date and compared to the prior year's net assets. Comparative data is not available for assets and liabilities due to the change in accounting formats for the fiscal year ending March 31, 2007 (see note one in the notes to the financial statements).

# City of Brown City

## Management's Discussion & Analysis Letter

### For The Fiscal Year Ended March 31, 2007

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>3/31/2006</b>	<b>3/31/2005</b>	<b>3/31/2006</b>	<b>3/31/2005</b>	<b>3/31/2006</b>	<b>3/31/2005</b>
Current Assets	\$ 826,498	\$ 897,417	\$ 447,622	\$ 393,536	\$ 1,274,120	\$ 1,290,953
Noncurrent Assets	1,327,559	1,225,020	973,316	977,293	2,300,875	2,202,313
<b>Total Assets</b>	<b>2,154,057</b>	<b>2,122,437</b>	<b>1,420,938</b>	<b>1,370,829</b>	<b>3,574,995</b>	<b>3,493,266</b>
Current Liabilities	31,263	33,560	20,000	20,000	51,263	53,560
Noncurrent Liabilities	58,001	72,212	100,000	120,000	158,001	192,212
<b>Total Liabilities</b>	<b>89,264</b>	<b>105,772</b>	<b>120,000</b>	<b>140,000</b>	<b>209,264</b>	<b>245,772</b>
Net Assets:						
Invested in Capital Assets -						
Net of Related Debt	1,255,348	1,138,990	853,316	837,293	2,108,664	1,976,283
Restricted	6,194	6,001	0	0	6,194	6,001
Unrestricted	803,251	871,675	440,228	393,536	1,243,479	1,265,211
<b>Total Net Assets</b>	<b>\$ 2,064,793</b>	<b>\$ 2,016,666</b>	<b>\$ 1,293,544</b>	<b>\$ 1,230,829</b>	<b>\$ 3,358,337</b>	<b>\$ 3,247,495</b>

The City's combined net assets increased 3.4% from \$3,247,494 to \$3,358,337. As we look at the governmental activities separately from the business type (water & sewer) we can see that the governmental activities experienced an increase of approximately \$48,000 during the year (a 2.4% increase). The business-type activities (water & sewer) experienced a \$62,715 increase in net assets. The assets of the City remained constant from one year to the next.

The following table shows the changes of the net assets during the current year:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total 2005-2006</b>
<b>Revenues</b>			
Program Revenues:			
Charges for Services	\$ 202,379	\$ 283,372	\$ 485,751
Operating Grants & Cont's	105,367	7,622	112,989
Capital Grants & Cont's	32,287	0	32,287
General Revenues:			0
Property Taxes	419,713	0	419,713
State-Shared Revenues	160,463	0	160,463
Interest	25,129	14,186	39,315
Other Revenues	69,014	0	69,014
Transfers	(16,046)	19,400	3,354
<b>Total Revenues</b>	<b>998,306</b>	<b>324,580</b>	<b>1,322,886</b>
<b>Program Expenses</b>			
General Government	\$ 409,646	\$ 0	\$ 409,646
Public Safety	202,743	0	202,743
Public Works	283,455	0	283,455
Recreation & Culture	50,351	0	50,351
Interest on Long-Term Debt	3,984	4,690	8,674
Water & Sewer	0	257,174	257,174
<b>Total Program Expenses</b>	<b>950,179</b>	<b>261,864</b>	<b>1,212,043</b>

# City of Brown City

## Management's Discussion & Analysis Letter

### For The Fiscal Year Ended March 31, 2007

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#### **Economic Factors and Next Year's Budget and Rates**

This City Council approved budget emphasizes repairs and enhancements to the sanitary and storm sewer system and lagoons; improving the City -Citizen relationship and communications, decreasing attorney fees; completing the 2007 Streetscape Program; continuing economic development; and finalizing the Arsenic Abatement Program. Meeting these goals is complicated by the City's operating budget decreasing \$250,012 or about 13.87% from the 2006-2007 Final Amended Budget, primarily due to reductions in anticipated revenues. Cuts included a reduction in City Council wages, City Attorney fees, administration wages and capital outlay; Public Safety was reduced 16.5% to include cutting two patrol shifts. Savings in Buildings and Grounds resulted from delaying maintenance; other changes included reducing non-union insurance and benefits payments. Large expense is the projected \$45,000 general Fund subsidy of the Arsenic Abatement Fund. Another significant impact on the 2007/2008 Budget was dramatic wage and benefit increases caused by the Department of Public Works joining the International Union of Operating Engineers Local 324. Street improvements include a \$320,000 Streetscape Project, of which the City's share is about \$120,000. Significant water related expenses include the engineering for a second arsenic abatement facility and the planned \$30,000 overhaul of Well #3. Wastewater costs include a \$20,000 pilot program to reduce sludge the sewage lagoons, and \$20,000 to inspect sewer mains. The City will continue to closely monitor overtime and capital and operational purchasing, and reduce spending wherever possible.

The City of Brown City's 2007/2008 adopted budget is as follows:

		<b>General Fund</b>	
		<b>March 31,</b>	
		<b>2007</b>	<b>2006</b>
Beginning Balance		52,000	0
<b>Revenue</b>			
Property Taxes		372,090	371,100
Intergovernmental Revenue		163,300	162,000
Charges for Services		58,400	56,400
Grant Proceeds		-	-
Loan Proceeds		-	-
Other		192,610	216,980
Total Revenue Collected		786,400	806,480
Fund Available		838,400	806,480
<b>Expenditures</b>			
General Government		308,300	344,130
Public Safety - Police		164,650	175,650
Public Safety - Fire		25,600	28,550
Public Works		77,850	75,940
Other Functions		104,810	127,510
Capital Outlay		-	-
Debt Service		-	-
Transfers		157,190	54,700
Total Expenditures		838,400	806,480
<b>Net Over/Under Budget</b>		<b>\$ -</b>	<b>\$ -</b>



**City of Brown City**  
Management's Discussion & Analysis Letter  
For The Fiscal Year Ended March 31, 2007

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**Contacting the City**

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact City Hall, 4205 Main Street, Post Office Box 99, Brown City, Michigan 48416, or by telephone at (810) 346-2325, or fax at (810) 346-3802, or e-mail at [browncity@greatlakes.net](mailto:browncity@greatlakes.net).

Respectfully,

Clinton K. Holmes  
City Manager

**City of Brown City**  
Statement of Net Assets (Deficit)  
March 31, 2007

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Total</b>
<b><u>Assets</u></b>			
Cash & Cash Equivalents	\$ 86,498.20	\$ 40,967.86	\$ 127,466.06
Accounts Receivable	58,648.58	-	58,648.58
Due From Other Governmental Units	2,713.87	12,989.06	15,702.93
Due From Other Funds	857,982.89	342,428.51	1,200,411.40
Capital Assets			
Nondepreciable Capital Assets	139,971.00	25,856.74	165,827.74
Depreciable Capital Assets	<u>1,208,706.10</u>	<u>912,607.10</u>	<u>2,121,313.20</u>
 Total Assets	 2,354,520.64	 1,334,849.27	 3,689,369.91
<b><u>Liabilities</u></b>			
Accounts Payable	5,845.59	2,695.99	8,541.58
Due To Others	5,312.51	-	5,312.51
Current Portion of Long-Term Debt	6,000.00	20,000.00	26,000.00
Noncurrent Liabilities:			
Long-Term Debt	<u>52,000.00</u>	<u>80,000.00</u>	<u>132,000.00</u>
 <u>Total Liabilities</u>	 <u>69,158.10</u>	 <u>102,695.99</u>	 <u>171,854.09</u>
<b>Net Assets (Deficit)</b>			
Invested in Capital Assets - Net of Related Debt	1,290,677.10	838,463.84	2,129,140.94
Restricted for Cemetery Equipment	6,488.41	-	6,488.41
Unrestricted	<u>988,197.03</u>	<u>393,689.44</u>	<u>1,381,886.47</u>
 <u>Total Net Assets (Deficit)</u>	 <u>\$ 2,285,362.54</u>	 <u>\$ 1,232,153.28</u>	 <u>\$ 3,517,515.82</u>

The notes are an integral part of the statements.

**City of Brown City**  
Statement of Activities  
For the Year Ended March 31, 2007

Functions/Programs	Program Revenues				Net (Expense) Revenue & Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government		Totals
					Governmental Activities	Business-type Activities	
Primary Government:							
Governmental Activities:							
General Government	\$ 390,831.35	\$ 207,992.67	\$ -	\$ -	\$ (182,838.68)	\$ -	\$ (182,838.68)
Public Safety	219,310.85	38,716.35	-	-	(180,594.50)	-	(180,594.50)
Public Works	269,583.18	43,441.20	105,298.22	-	(120,843.76)	-	(120,843.76)
Recreation & Culture	39,424.72	735.00	-	-	(38,689.72)	-	(38,689.72)
Interest on Long-Term Debt	3,308.40	-	-	-	(3,308.40)	-	(3,308.40)
<u>Total Governmental Activities</u>	922,458.50	290,885.22	105,298.22	-	(526,275.06)	-	(526,275.06)
Business-type Activities	295,038.72	250,416.65	-	-	-	(44,622.07)	(44,622.07)
Interest on Long-Term Debt	4,020.00	-	-	-	-	(4,020.00)	(4,020.00)
<u>Total Primary Government</u>	<u>\$ 1,221,517.22</u>	<u>\$ 541,301.87</u>	<u>\$ 105,298.22</u>	<u>\$ -</u>	<u>\$ (526,275.06)</u>	<u>\$ (48,642.07)</u>	<u>\$ (574,917.13)</u>
<b>General Revenues:</b>							
Property Taxes					\$ 444,627.51	\$ -	\$ 444,627.51
State Shared Revenues					159,202.00	-	159,202.00
Interest Earnings					35,403.34	19,513.08	54,916.42
Other Revenues					71,353.56	-	71,353.56
Transfers					36,263.19	(32,261.91)	4,001.28
Total General Revenues, Special Items & Transfers					<u>746,849.60</u>	<u>(12,748.83)</u>	<u>734,100.77</u>
<b>Change in Net Assets</b>					220,574.54	(61,390.90)	159,183.64
<b>Net Assets (Deficit) - Beginning of Year</b>					<u>2,064,788.00</u>	<u>1,293,544.18</u>	<u>3,358,332.18</u>
<b>Net Assets (Deficit) - End of Year</b>					<u>\$ 2,285,362.54</u>	<u>\$ 1,232,153.28</u>	<u>\$ 3,517,515.82</u>

The notes are an integral part of the statements.

# City of Brown City

## Governmental Funds

### Balance Sheet

March 31, 2007

	General Fund	Major Street Fund	Local Street Fund	Arsenic Abatement Fund	Cemetery Operating Fund	Downtown Development Authority	Parks & Recreation Fund	Total Governmental Funds
<b><u>Assets</u></b>								
Cash & Certificates of Deposit	\$ 15,244.90	\$ 97.20	\$ 97.54	\$ 782.44	\$ 44,292.20	\$ 23,511.70	\$ 2,425.89	\$ 86,451.87
Accounts Receivable	6,369.82	-	-	-	814.20	-	-	7,184.02
Property Taxes Receivable	47,900.73	-	-	-	-	-	3,563.83	51,464.56
Due From Others	2,713.87	-	-	-	-	-	-	2,713.87
Due From Other Funds	671,431.33	35,486.27	19,032.41	82,407.75	6,717.18	-	28,970.60	844,045.54
<b>Total Assets</b>	<b>\$ 743,660.65</b>	<b>\$ 35,583.47</b>	<b>\$ 19,129.95</b>	<b>\$ 83,190.19</b>	<b>\$ 51,823.58</b>	<b>\$ 23,511.70</b>	<b>\$ 34,960.32</b>	<b>\$ 991,859.86</b>
<b><u>Liabilities &amp; Fund Equity</u></b>								
<b><u>Liabilities</u></b>								
Accounts Payable	\$ 5,845.59	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,845.59
Due To Others	5,312.51	-	-	-	-	-	-	5,312.51
Due To Other Funds	-	-	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>11,158.10</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,158.10</b>
<b><u>Fund Equity</u></b>								
Fund Balances								
- Reserved for Police Car	2,099.69	-	-	-	-	-	-	2,099.69
- Reserved for Unemployment Comp.	378.95	-	-	-	-	-	-	378.95
- Reserved for Streets	90,780.01	-	-	-	-	-	-	90,780.01
- Reserved for Cable Equipment	24,046.94	-	-	-	-	-	-	24,046.94
- Reserved for County Rd Millage	209,279.13	-	-	-	-	-	-	209,279.13
- Reserved for Sidewalks	8,281.83	-	-	-	-	-	-	8,281.83
- Designated for Cemetery Equipment	-	-	-	-	6,488.41	-	-	6,488.41
- Unreserved & Undesignated	397,636.00	35,583.47	19,129.95	83,190.19	45,335.17	23,511.70	34,960.32	639,346.80
<b>Total Fund Balances</b>	<b>732,502.55</b>	<b>35,583.47</b>	<b>19,129.95</b>	<b>83,190.19</b>	<b>51,823.58</b>	<b>23,511.70</b>	<b>34,960.32</b>	<b>980,701.76</b>
<b>Total Liabilities &amp; Fund Equity</b>	<b>\$ 743,660.65</b>	<b>\$ 35,583.47</b>	<b>\$ 19,129.95</b>	<b>\$ 83,190.19</b>	<b>\$ 51,823.58</b>	<b>\$ 23,511.70</b>	<b>\$ 34,960.32</b>	<b>\$ 991,859.86</b>

The notes are an integral part of the statements.

**City of Brown City**  
Governmental Funds  
Reconciliation of Fund Balances to the  
Statement of Net Assets (Deficit)  
For The Year Ended March 31, 2007

<b>Total Fund Balances for Governmental Funds &amp; Equipment Fund</b>	\$ 1,044,758.96
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Amounts reported for Governmental Activities in the Statement of  
Net Assets (Deficit) are different because:

Capital Assets used in Governmental Activities are not Financial Resources and are not reported in the Funds	1,298,603.58
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Long-Term Bonds Payable are not due and payable in the current period and are not reported in the Funds	(58,000.00)
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Accrued Interest Payable is not reported in the Funds	<u>-</u>
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<b>Net Assets of Governmental Activities</b>	<b><u><u>\$ 2,285,362.54</u></u></b>
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The notes are an integral part of the statements.

**City of Brown City**  
Governmental Funds  
Statement of Revenues, Expenditures, And Changes  
in Fund Balances  
For The Year Ended March 31, 2007

	<b>General Fund</b>	<b>Major Street Fund</b>	<b>Local Street Fund</b>	<b>Arsenic Abatement Fund</b>	<b>Cemetery Operating Fund</b>	<b>Downtown Development Authority</b>	<b>Park &amp; Recreation Fund</b>	<b>Total Governmental Funds</b>
<b><u>Revenues</u></b>								
Property Taxes	\$ 414,048.99	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,578.52	\$ 444,627.51
State Shared Revenue	159,202.00	80,109.96	25,188.26	-	-	-	-	264,500.22
Charges for Services	52,988.39	-	-	38,527.69	14,675.00	-	-	106,191.08
Licenses & Permits	1,323.85	-	-	-	-	-	-	1,323.85
Interest Earnings	26,056.89	2,065.64	1,422.97	2,042.98	2,226.77	300.66	657.64	34,773.55
Grant Proceeds	-	-	-	-	-	-	-	-
Loan Proceeds	-	-	-	-	-	-	-	-
Rental Income & Franchise Fees	137,335.40	-	-	-	-	-	735.00	138,070.40
Other Revenues	60,868.25	370.39	4,293.53	-	1.59	-	5,819.80	71,353.56
<b><u>Total Revenues</u></b>	<b><u>851,823.77</u></b>	<b><u>82,545.99</u></b>	<b><u>30,904.76</u></b>	<b><u>40,570.67</u></b>	<b><u>16,903.36</u></b>	<b><u>300.66</u></b>	<b><u>37,790.96</u></b>	<b><u>1,060,840.17</u></b>
<b><u>Expenditures</u></b>								
General Government	248,566.81	-	-	-	15,613.63	-	-	264,180.44
Public Safety	162,974.67	-	-	44,042.39	-	-	-	207,017.06
Publics Works	158,850.29	52,556.82	35,012.29	-	-	250.00	-	246,669.40
Recreation & Culture	-	-	-	-	-	-	34,166.22	34,166.22
Other Functions	50,752.00	-	-	-	-	-	-	50,752.00
Capital Outlay	44,226.15	46,333.01	-	-	-	-	-	90,559.16
Debt Service - Principal	14,210.00	-	-	-	-	-	-	14,210.00
Debt Service - Interest	3,308.40	-	-	-	-	-	-	3,308.40
<b><u>Total Expenditures</u></b>	<b><u>682,888.32</u></b>	<b><u>98,889.83</u></b>	<b><u>35,012.29</u></b>	<b><u>44,042.39</u></b>	<b><u>15,613.63</u></b>	<b><u>250.00</u></b>	<b><u>34,166.22</u></b>	<b><u>910,862.68</u></b>
<b>Excess of Revenues Over (Under) Expenditures</b>	168,935.45	(16,343.84)	(4,107.53)	(3,471.72)	1,289.73	50.66	3,624.74	149,977.49
<b><u>Other Financing Sources (Uses)</u></b>								
Operating Transfers In (Out)	(68,400.00)	-	-	86,661.91	4,001.28	-	-	22,263.19
<b>Net Change in Fund Balances</b>	100,535.45	(16,343.84)	(4,107.53)	83,190.19	5,291.01	50.66	3,624.74	172,240.68
<b><u>Fund Balances - Beginning of Year</u></b>	<b><u>631,967.10</u></b>	<b><u>51,927.31</u></b>	<b><u>23,237.48</u></b>	<b><u>-</u></b>	<b><u>46,532.57</u></b>	<b><u>23,461.04</u></b>	<b><u>31,335.58</u></b>	<b><u>808,461.08</u></b>
<b><u>Fund Balances - End of Year</u></b>	<b><u>\$ 732,502.55</u></b>	<b><u>\$ 35,583.47</u></b>	<b><u>\$ 19,129.95</u></b>	<b><u>\$ 83,190.19</u></b>	<b><u>\$ 51,823.58</u></b>	<b><u>\$ 23,511.70</u></b>	<b><u>\$ 34,960.32</u></b>	<b><u>\$ 870,406.16</u></b>

The notes are an integral part of the statements.

**City of Brown City**  
Governmental Funds  
Reconciliation of Statement of Revenues, Expenditures,  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For The Year Ended March 31, 2007

**Net Change in Fund Balances - Total Governmental Funds & Equipment Fund**      \$ 163,712.59

Amounts reported for Governmental Activities in the Statement of  
Activities are different because:

Governmental Funds report Capital Outlays as Expenditures;  
in the Statement of Activities, these costs are capitalized and  
allocated over their estimated useful lives as Depreciation      90,559.16

Repayment of Bond Principal is an Expenditure in the Governmental  
Funds, but not in the Statement of Activities (where it  
reduces Long-Term Debt)      14,210.00

Realized Gain (Loss) on Sale of Capital Assets not accounted for in the  
Governmental Funds      -

Loan Proceeds are recognized as revenue in the Governmental Funds,  
but not in the Statement of Activities      -

Depreciation is an Expenditure for the Statement of  
Activities, but is not reported in the Governmental Funds      (47,907.21)

**Net Assets of Governmental Activities**      \$ 220,574.54

The notes are an integral part of the statements.

**City of Brown City**  
Statement of Net Assets (Deficit)  
Proprietary Funds  
March 31, 2007

	<b>Enterprise Funds</b>		<b>Total</b>	<b>Internal</b>
	<b>Sewer</b>	<b>Water</b>	<b>Enterprise</b>	<b>Service</b>
<b>Assets</b>	<b>Fund</b>	<b>Fund</b>	<b>Funds</b>	<b>Fund</b>
				<b>Equipment</b>
<u>Current Assets</u>				
Cash & Cash Equivalents	\$ 40,549.72	\$ 418.14	\$ 40,967.86	\$ 46.33
Accounts Receivable	-	-	-	-
Due From Other Governmental Units	-	12,989.06	12,989.06	-
Due From Other Funds	167,146.63	175,281.88	342,428.51	13,937.35
	<u>207,696.35</u>	<u>188,689.08</u>	<u>396,385.43</u>	<u>13,983.68</u>
<u>Total Current Assets</u>	207,696.35	188,689.08	396,385.43	13,983.68
<u>Noncurrent Assets</u>				
Capital Assets not being Depreciated	20,000.00	5,856.74	25,856.74	-
Capital Assets being Depreciated	818,118.74	1,432,579.78	2,250,698.52	288,132.60
Less: Accumulated Depreciation	<u>(449,685.28)</u>	<u>(888,406.14)</u>	<u>(1,338,091.42)</u>	<u>(238,059.08)</u>
<u>Total Noncurrent Assets</u>	<u>388,433.46</u>	<u>550,030.38</u>	<u>938,463.84</u>	<u>50,073.52</u>
	<u>596,129.81</u>	<u>738,719.46</u>	<u>1,334,849.27</u>	<u>64,057.20</u>
Total Assets	596,129.81	738,719.46	1,334,849.27	64,057.20
<u>Liabilities</u>				
<u>Current Liabilities</u>				
Accounts Payable	2,695.99	-	2,695.99	-
Current Portion of Long-Term Debt	<u>-</u>	<u>20,000.00</u>	<u>20,000.00</u>	<u>-</u>
Total Current Liabilities	2,695.99	20,000.00	22,695.99	-
<u>Long-Term Liabilities</u>				
Bonds Payable	<u>-</u>	<u>80,000.00</u>	<u>80,000.00</u>	<u>-</u>
Total Liabilities	2,695.99	100,000.00	102,695.99	-
<u>Net Assets</u>				
Invested in Capital Assets Net of Related Debt	388,433.46	450,030.38	838,463.84	50,073.52
Unrestricted	<u>205,000.36</u>	<u>188,689.08</u>	<u>393,689.44</u>	<u>13,983.68</u>
<u>Total Net Assets</u>	<u>\$ 593,433.82</u>	<u>\$ 638,719.46</u>	<u>\$ 1,232,153.28</u>	<u>\$ 64,057.20</u>



**City of Brown City**  
Statement of Revenues, Expenses, And Changes in Net Assets  
Proprietary Funds  
March 31, 2007

	<u>Enterprise Funds</u>		<u>Total</u>	<u>Internal</u>
	<u>Sewer</u>	<u>Water</u>	<u>Enterprise</u>	<u>Service</u>
	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Fund</u>
				<u>Equipment</u>
<b><u>Operating Revenues</u></b>				
User Charges & Penalties	\$ 83,497.12	\$ 166,919.53	\$ 250,416.65	\$ -
Service Connection Charges	-	-	-	-
Equipment Rental	-	-	-	45,299.89
	<u>83,497.12</u>	<u>166,919.53</u>	<u>250,416.65</u>	<u>45,299.89</u>
<b><u>Total Operating Revenues</u></b>				
	<u>83,497.12</u>	<u>166,919.53</u>	<u>250,416.65</u>	<u>45,299.89</u>
<b><u>Operating Expenses</u></b>				
Operation & Maintenance	128,052.32	69,156.41	197,208.73	29,311.60
General & Administration	16,984.48	20,993.25	37,977.73	17,612.09
Depreciation	<u>19,459.56</u>	<u>40,392.70</u>	<u>59,852.26</u>	<u>21,534.08</u>
	<u>164,496.36</u>	<u>130,542.36</u>	<u>295,038.72</u>	<u>68,457.77</u>
<b><u>Total Operating Expenses</u></b>				
	<u>164,496.36</u>	<u>130,542.36</u>	<u>295,038.72</u>	<u>68,457.77</u>
<b><u>Operating Income (Loss)</u></b>	(80,999.24)	36,377.17	(44,622.07)	(23,157.88)
<b><u>Nonoperating Revenues (Expenses)</u></b>				
Interest Earnings	11,081.40	8,431.68	19,513.08	629.79
Interest Expense	-	(4,020.00)	(4,020.00)	-
Capital Contribution	-	-	-	-
Transfers From (To) Other Funds	<u>(5,000.00)</u>	<u>(27,261.91)</u>	<u>(32,261.91)</u>	<u>14,000.00</u>
<b><u>Change in Net Assets</u></b>	(74,917.84)	13,526.94	(61,390.90)	(8,528.09)
<b><u>Net Assets - Beginning of Year</u></b>	<u>668,351.66</u>	<u>625,192.52</u>	<u>1,293,544.18</u>	<u>72,585.29</u>
<b><u>Net Assets - End of Year</u></b>	<u>\$ 593,433.82</u>	<u>\$ 638,719.46</u>	<u>\$ 1,232,153.28</u>	<u>\$ 64,057.20</u>

**City of Brown City**  
Statement of Cash Flows  
Proprietary Funds  
For The Year Ended March 31, 2007

	<b>Enterprise Funds</b>		<b>Total</b>	<b>Internal</b>
	<b>Sewer</b>	<b>Water</b>	<b>Enterprise</b>	<b>Service</b>
	<b>Fund</b>	<b>Fund</b>	<b>Funds</b>	<b>Fund</b>
				<b>Equipment</b>
<b><u>Cash Flow From Operating Activities</u></b>				
Receipts from Customers	\$ 83,946.25	\$ 166,409.85	\$ 250,356.10	\$ 45,299.89
Payments for Operation & Maintenance	(125,356.33)	(76,550.41)	(201,906.74)	(29,311.60)
Payments for General & Administration	(16,984.48)	(20,993.25)	(37,977.73)	(17,612.09)
<u>Net Cash Provided by Operating Activity</u>	(58,394.56)	68,866.19	10,471.63	(1,623.80)
<b><u>Cash Flows from Noncapital Financing Activities</u></b>				
Operating Transfers In (Out)	(5,000.00)	(27,261.91)	(32,261.91)	14,000.00
Received "Due From Other Funds"	77,807.45	(26,133.79)	51,673.66	(12,977.88)
<u>Net Cash Provided by Noncapital Financing Activities</u>	72,807.45	(53,395.70)	19,411.75	1,022.12
<b><u>Cash Flows from Capital &amp; Related Financing Activities</u></b>				
Interest Expense	-	(4,020.00)	(4,020.00)	-
Receipt of Capital Contributions	-	-	-	-
Purchase of Capital Assets	(25,000.00)	-	(25,000.00)	-
Principal Payment on Bonds Payable	-	(20,000.00)	(20,000.00)	-
<u>Net Cash Provided by Capital &amp; Related Financing Activities</u>	(25,000.00)	(24,020.00)	(49,020.00)	-
<b><u>Cash Flows From Investing Activities</u></b>				
Interest received on Investments	11,081.40	8,431.68	19,513.08	629.79
<u>Net Increase (Decrease) in Cash &amp; Cash Equivalents</u>	494.29	(117.83)	376.46	28.11
<u>Cash &amp; Cash Equivalents - Beginning of Year</u>	40,055.43	535.97	40,591.40	18.22
<u>Cash &amp; Cash Equivalents - End of Year</u>	<u>\$ 40,549.72</u>	<u>\$ 418.14</u>	<u>\$ 40,967.86</u>	<u>\$ 46.33</u>
<b><u>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</u></b>				
Operating Income (Loss)	(80,999.24)	36,377.17	(44,622.07)	(23,157.88)
Adjustments to Reconcile Operating Income (Loss) from Operating Activities:				
Depreciation	19,459.56	40,392.70	59,852.26	21,534.08
Changes in Assets & Liabilities:				
Receivables	449.13	(509.68)	(60.55)	-
Accounts Payable	2,695.99	(7,394.00)	(4,698.01)	-
<u>Net Cash Provided by Operating Activities</u>	<u>\$ (58,394.56)</u>	<u>\$ 68,866.19</u>	<u>\$ 10,471.63</u>	<u>\$ (1,623.80)</u>

**City of Brown City**  
Statement of Net Assets (Deficit)  
Fiduciary Funds  
March 31, 2007

<u><b>Assets</b></u>	<b>Pension &amp; Other Trust Funds</b>	<b>Agency Fund</b>
	<hr/>	<hr/>
Cash & Certificate of Deposit	\$ 97,990.13	\$ 1,200,256.53
Due From Other Funds	<hr/> -	<hr/> -
<u>Total Assets</u>	97,990.13	<u><u>\$ 1,200,256.53</u></u>
<u><b>Liabilities</b></u>		
Due To Other Funds	154.87	\$ 1,200,256.53
Due To Other Governmental Agencies	<hr/> -	<hr/> -
<u>Total Liabilities</u>	<hr/> 154.87	<u><u>\$ 1,200,256.53</u></u>
<u><b>Net Assets</b></u>		
Held in Trust for Cemetery Perpetual Care	97,835.26	
Unreserved - Undesignated	<hr/> -	
<u>Total Net Assets</u>	<u><u>\$ 97,835.26</u></u>	

The notes are an integral part of the statements.

**City of Brown City**  
Statement of Changes in Net Assets  
Fiduciary Funds  
March 31, 2007

	<b>Pension &amp; Other Trust Funds</b>
<b><u>Additions</u></b>	
Interest Income - Perpetual Care	\$ 4,001.28
Sale of Lots - Perpetual Care	<u>3,275.00</u>
<u>Total Additions</u>	<u>7,276.28</u>
<b><u>Deductions</u></b>	
Contribution To (From) Other Funds	<u>4,001.28</u>
<u>Total Deductions</u>	<u>4,001.28</u>
<b><u>Net Increase</u></b>	3,275.00
<b><u>Net Assets - Beginning of Year</u></b>	<u>94,560.26</u>
<b><u>Net Assets - End of Year</u></b>	<u><u>\$ 97,835.26</u></u>

The notes are an integral part of the statements.

# **City of Brown City**

Notes to the Financial Statements  
For The Year Ended March 31, 2007

The accounting methods and procedures adopted by the City of Brown City, Sanilac County, Michigan, conform to generally accepted accounting principles as applied to governmental entities. The following notes to the financial statements are an integral part of the City's Comprehensive Annual Financial Report.

## **1. Summary of Significant Accounting Policies**

### **Financial Reporting Entity**

The City of Brown City was incorporated as a 4th Class City in 1907. The City has operated since 1973 under a Council-Manager form of government and provides the following services: public safety (police and fire), highways and streets, sanitation, recreation, public improvements, planning and zoning and general administrative services. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Brown City (the primary government) and its component units. The component units discussed below are included in the City reporting entity because of the significance of their operational or financial relationships with the City.

**Component Units** - In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or discretely presented component units.

**Blended Component Units** - The Downtown Development Authority (DDA) of the City of Brown City, an entity legally separate from the City, is governed by a nine-member board appointed by the City Council. For financial reporting purposes, the DDA is reported as if it were part of the City's operations because its purpose is to finance and provide assistance to businesses and citizens within the DDA District of the City.

### **Government-wide and Fund Statements Fund**

The Government-wide Financial Statements (i.e., the Statement of Net Assets (Deficit) and the Statement of Activities) report information on all the nonfiduciary activities of the City (the primary government). The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function (governmental activities) or identifiable activity (business-type activities) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other revenue items properly excluded from program revenues are reported as general revenue.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the Government-wide Financial Statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

**General Fund** - The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Major Street Fund** - The Major Streets Fund accounts for maintenance and improvement activities for streets designated as "major" within the City. Funding is provided primarily through State-shared gas and weight taxes.

**City of Brown City**  
Notes to the Financial Statements  
For The Year Ended March 31, 2007

**Local Street Fund** – The Major Streets Fund accounts for maintenance and improvement activities for streets designated as “local” within the City. Funding is provided primarily through State-shared gas and weight taxes.

**Arsenic Abatement Fund** - The fund collects funds to operate the arsenic plant.

**Cemetery Operating Fund** - This fund accounts for the lot sales, grave openings and general maintenance of the cemetery. Funding is provided primarily through grave openings and interest earnings from the Cemetery Perpetual Care Fund.

**Downtown Development Authority Fund (a Special Revenue Fund type)** – The Downtown Development Authority’s purpose is to finance and provide assistance to businesses and citizens within the DDA District of the City.

**Park Fund** - This fund accounts for the general maintenance of the City Park. Funding is provided primarily through a millage and donations.

The City reports the following major Enterprise Funds & Internal Service Fund:

**Water Fund** - The Water Fund accounts for the activities of the water distribution system. Funding is provided primarily through user charges.

**Sewer Fund** - The Sewer Fund accounts for the activities of the sewage disposal system. Funding is provided primarily through user charges.

**Equipment Fund (Internal Service Fund)** – This fund was established to account for the financing of goods or services provided by one department to other departments of the City on a cost-reimbursement basis.

Additionally, the City reports the following fund types:

**Agency & Other Trust Funds** - The Agency Funds account for assets held by the City in a trustee capacity or as an agent for individuals, organizations, or other governments.

**Measurement Focus and Basis of Accounting**

The Government-wide Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period, generally collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, intergovernmental revenues, special assessments, licenses, charges for services, and interest. All other revenue items are considered to be available only when cash is received by the City. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, and claims and judgments are recorded only when payment is due.

**Cash** - The City does not pool cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the City's investments.

**City of Brown City**  
Notes to the Financial Statements  
For The Year Ended March 31, 2007

**Investments** - Debt securities are valued at cost since it is generally the policy of the City to hold such investments until they mature.

**Due to and Due from Other Funds** - Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

**Property Tax Revenues** - Property taxes are levied on December 1 based on the assessed value of property as listed on the previous December 31. Assessed values are an approximation of market value. A revaluation of all real property must be made every year.

**Vacation, Sick Leave, and other Compensated Absences** - Vacation days are earned by employees at a rate from 5 to 20 days per year with unused days being paid at 50% of compensation rate or forfeited. Sick days are earned by employees at a rate of one day per month during the year. A maximum of 45 unused sick days may be accumulated by an employee. Days accumulated over 45 days are paid out annually at 75% of compensation rate. No provision has been made for accumulated sick pay liability since the amount is immaterial to the financial statements taken as a whole.

**Inventories and Prepaid Items** - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when purchased. Inventories and supplies held by the Water Fund and the Sewer Fund, which are immaterial in amount, have not been recognized. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both Government-wide and Fund Financial Statements.

**Capital Assets** - Capital assets, which include buildings and equipment, are reported in the applicable governmental column in the Government-wide Financial Statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$1000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Infrastructure	40 years
Water & Sewer Distribution Systems	20 to 75 years
Buildings & Building Improvements	20 to 40 years
Machinery & Equipment	3 to 10 years

**Long-Term Obligations** - In the Government-wide Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, issuance costs, and the deferred amount on refunding are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and deferred amount on refunding. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**City of Brown City**  
Notes to the Financial Statements  
For The Year Ended March 31, 2007

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

**Accounting Changes**

**GASB Statement No. 34** – Effective April 1, 2004, the City implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB No. 34). Changes to the City's financial statements as a result of GASB No. 34 are as follows:

- A management's discussion and analysis (MD&A) section providing analysis of the City's overall financial position and results of operations has been included.
- Government-wide Financial Statements (statement of net assets (deficit) and statement of activities) prepared using full accrual accounting for all of the City's activities have been provided.
- Capital assets in the governmental activities column of the statement of net assets (deficit) includes assets not previously accounted for by the City as well as assets previously reported in the General Fixed Assets Account Group. In addition, the governmental activities column includes bonds and other long-term obligations previously reported in the General Long-term Debt Account Group.
- The fund financial statements focus on major funds rather than fund types.

**2. Stewardship, Compliance, and Accountability**

**Budgetary Information**

The City is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following statements represent a brief synopsis of the major provisions of this Act:

1. Budgets must be adopted for the General Fund and Special Revenue Funds, Debt Service Funds, Capital Project Funds.
2. The budgets must be balanced. The balanced budget may include a contribution to or appropriation from fund balance.
3. The budgets must be amended when necessary.
4. Debt cannot be entered into unless permitted by law.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures cannot be made unless authorized in the budget.
7. Public hearings must be held before budget adoptions.



**City of Brown City**  
Notes to the Financial Statements  
For The Year Ended March 31, 2007

**2. Stewardship, Compliance, and Accountability - Continued**

In the body of the financial statements, the City actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The budget is used by the City Council as a management tool during the year for all budgetary funds. The budgets are adopted on a cash basis, which is not consistent with generally accepted accounting principles. Budgetary control is exercised at the departmental level. Budgets for the General Fund and the major Special Revenue Funds, Debt Service Funds, and Capital Project Funds are presented in the required supplemental information.

During the year ended March 31, 2007, the City incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
<b><u>General Fund</u></b>			
Treasurer	\$ 16,900	\$ 17,864	\$ 964
Street Lighting	22,500	23,763	1,263
<b><u>Major Streets</u></b>			
Routine Maintenance	18,860	18,865	5

**3. Cash and Investments**

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The City Council has designated two banks for the deposit of City funds. The investment policy adopted by the City is in accordance with Public Act 196 of 1997. The Council has authorized investment in bank accounts and CDs, but not the remainder of State statutory authority as listed above. The City's deposits are in accordance with statutory authority. All cash deposits and investments of the City are held by the City in the City's name.

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Fiduciary - Trust &amp; Agency Funds</u>	<u>Total Primary Government</u>
Cash & Cash Equivalents	\$ 86,452	\$ 41,014	\$ 1,298,247	\$ 1,425,713

**City of Brown City**  
Notes to the Financial Statements  
For The Year Ended March 31, 2007

**3. Cash and Investments - Continued**

The breakdown between deposits and investments is as follows:

	<b>Primary Government</b>
Bank Deposits (Checking & Savings Accounts, CDs)	<u>\$ 1,425,713</u>

The bank balance of the primary government's deposits is \$1,425,713, of which \$200,000 is covered by federal depository insurance and \$-0- is collateralized with U.S. Treasury securities held by the pledging financial institution's trust department in the City's name.

The GASB Statement 3 risk disclosures for the Local Unit's investments are as follows:

<b>Investment Type</b>	<u><b>(1)</b></u>	<u><b>(2)</b></u>	<u><b>(3)</b></u>	<u><b>Carrying Amount</b></u>	<u><b>Market Value</b></u>
Investments	NONE	NONE	NONE	NONE	NONE
Total Risk-Categorized Investments					

The cash and investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

Category 1	Insured or registered, or securities held by the City or its agent in the City's name.
Category 2	Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.
Category 3	Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the City's name.

**City of Brown City**  
Notes to the Financial Statements  
For The Year Ended March 31, 2007

**4. Capital Assets**

Capital Assets activity of the City's governmental activities (and business-type) was as follows:

	Balance April 1, 2006	Additions	Disposals & Adjustments	Balance March 31, 2007
<b>Governmental Activities:</b>				
Capital Assets not being Depreciated - Land	\$ 139,971	\$ -	\$ -	\$ 139,971
Capital Assets Being Depreciated:				
Infrastructure	855,784	90,559	-	946,343
Buildings & Improvements	528,526	-	-	528,526
Machinery & Equipment	390,612	-	-	390,612
Total Capital Assets being Depreciated	1,774,922	90,559	-	1,865,481
Accumulated Depreciation:				
Infrastructure	74,824	22,258	-	97,082
Buildings & Improvements	238,314	12,740	-	251,054
Machinery & Equipment	274,196	34,443	-	308,639
Total Accumulated Depreciation	587,334	69,441	-	656,775
<b>Net Capital Assets</b>	<u>\$ 1,327,559</u>	<u>\$ 21,118</u>	<u>\$ -</u>	<u>\$ 1,348,677</u>
<b>Business-type Activities:</b>				
Capital Assets not being Depreciated - Land	\$ 25,857	\$ -	\$ -	\$ 25,857
Capital Assets Being Depreciated:				
Sewage Treatment Plant	793,119	25,000	-	818,119
Water Distribution System	1,432,580	-	-	1,432,580
Total Capital Assets being Depreciated	2,225,699	25,000	-	2,250,699
Accumulated Depreciation:				
Sewage Treatment Plant	430,226	19,460	-	449,686
Water Distribution System	848,014	40,393	-	888,407
Total Accumulated Depreciation	1,278,240	59,853	-	1,338,093
<b>Net Capital Assets</b>	<u>\$ 973,316</u>	<u>\$ (34,853)</u>	<u>\$ -</u>	<u>\$ 938,463</u>

Depreciation expense was charged to programs of the primary government as follows:

<b>Governmental Activities:</b>	
General Government	\$ 7,441
Public Safety	12,294
Public Works	44,447
Recreation & Culture	5,259
Total Governmental Activities	<u>\$ 69,441</u>
<b>Business-type Activities:</b>	
Sewer Fund	\$ 19,460
Water Fund	40,393
Total Business-type Activities	<u>\$ 59,853</u>

**City of Brown City**  
Notes to the Financial Statements  
For The Year Ended March 31, 2007

**5. Interfund Receivables, Payables, & Transfers**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “Due from other funds” or “Due to other funds” on the balance sheet. The amounts of interfund receivables and payables are as follows:

	<b>Due From Other Funds</b>		<b>Due To Other Funds</b>
Payroll Fund	\$ 740	General Fund	\$ 740
Investment Fund	82,408	Water Fund	82,408
Investment Fund	175,282	Water Fund	175,282
Investment Fund	670,691	General Fund	670,691
Investment Fund	13,937	Equipment Fund	13,937
Investment Fund	35,486	Major Street Fund	35,486
Investment Fund	19,032	Local Street Fund	19,032
Investment Fund	6,562	Cemetery Operating	6,562
Investment Fund	167,147	Sewer Fund	167,147
Investment Fund	28,971	Park Fund	28,971
Cemetery Perpetual Care Fund	155	Cemetery Fund	155
Total	<u><u>\$ 1,200,411</u></u>		<u><u>\$ 1,200,411</u></u>

Interfund Transfers reported in the Fund Statements are as follows:

	<b>Transferred From</b>		<b>Transferred To</b>
Cemetery Perpetual Care Fund	\$ 4,001	Cemetery Operating Fund	\$ 4,001
General Fund	19,400	Local Street Fund	19,400
General Fund	45,000	Local Street Fund	45,000
General Fund	4,000	Water Fund	4,000
Water Fund	41,661	Local Street Fund	41,661
Sewer Fund	5,000	Water Fund	5,000
Sewer Fund	5,000	Local Street Fund	5,000
Total	<u><u>\$ 124,062</u></u>		<u><u>\$ 124,062</u></u>

**City of Brown City**  
Notes to the Financial Statements  
For The Year Ended March 31, 2007

**6. Long-Term Debt**

	<u>Interest Rate Ranges</u>	<u>Principal Maturity Ranges</u>	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>						
General Obligation Bonds & Contracts						
Ford Motor Credit Company						
2005 Ford Crown Victoria						
Amount of Issue - \$24,651		\$7,819 -				
Maturing through 2008	5.00%	\$8,621	<u>\$ 8,211</u>	<u>\$ (8,211)</u>	<u>\$ -</u>	<u>\$ -</u>
General Obligation Bonds & Contracts						
USDA Rural Development Note Payable						
Purchased Six Acres						
Amount of Issue - \$70,000		\$6,000 -				
Maturing through 2014	4.75%	\$8,000	<u>\$ 64,000</u>	<u>\$ (6,000)</u>	<u>\$ 58,000</u>	<u>\$ 6,000</u>
<b>Total Governmental Activities</b>			<u><u>\$ 72,211</u></u>	<u><u>\$ (14,211)</u></u>	<u><u>\$ 58,000</u></u>	<u><u>\$ 6,000</u></u>
<b>Business-type Activities</b>						
General Obligation Bonds & Contracts						
Series 2002 Sanilac Co. Brown City Water Tower						
Rehabilitation Project Bonds						
Amount of Issue - \$200,000						
Maturing through 2012	3.35%	\$20,000	<u>\$ 120,000</u>	<u>\$ (20,000)</u>	<u>\$ 100,000</u>	<u>\$ 20,000</u>
<b>Total Business-type Activities</b>			<u><u>\$ 120,000</u></u>	<u><u>\$ (20,000)</u></u>	<u><u>\$ 100,000</u></u>	<u><u>\$ 20,000</u></u>
<b>Total Primary Government</b>			<u><u>\$ 192,211</u></u>	<u><u>\$ (34,211)</u></u>	<u><u>\$ 158,000</u></u>	<u><u>\$ 26,000</u></u>

Annual debt service requirements to maturity for the above governmental bond and contract obligations are as follows:

<u>Years Ending March 31,</u>	<u>Governmental Activities</u>				<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 6,000	\$ 2,755	\$ 8,755		\$ 20,000	\$ 3,350	\$ 23,350
2009	7,000	2,470	9,470		20,000	2,680	22,680
2010	7,000	2,138	9,138		20,000	2,010	22,010
2011	7,000	1,805	8,805		20,000	1,340	21,340
2012	7,000	1,472	8,472		20,000	670	20,670
2013-2014	24,000	2,280	26,280		-	-	-
<b>Total</b>	<u><u>\$ 58,000</u></u>	<u><u>\$ 12,920</u></u>	<u><u>\$ 70,920</u></u>	<b>Total</b>	<u><u>\$ 100,000</u></u>	<u><u>\$ 10,050</u></u>	<u><u>\$ 110,050</u></u>

**7. Risk Management**

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical and workman's compensation benefits provided to employees. The City has purchased commercial insurance for the various risks of loss stated above.

Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage's obtained through commercial insurance during the past year.

**City of Brown City**  
Notes to the Financial Statements  
For The Year Ended March 31, 2007

**8. Downtown Development Authority (DDA)**

The Downtown Development Authority was established by the City of Brown City Commission in accordance with Act 197 of PA 1975. Its purpose will be to serve the best interest of the public to halt property value deterioration and increase property tax valuation where possible in its business district, to eliminate the cause of the deterioration, and to promote economic growth. This purpose is accomplished by the City entering into lease contracts with commercial enterprises. According to the terms of the lease contracts, the City agrees to issue revenue bonds, the proceeds from which will be used to finance a project benefiting the commercial enterprise, and the commercial enterprise agrees to make lease payments equal to the bond principal and interest payments. When the bonds are paid in full, the ownership of the project is transferred to the commercial enterprise. The revenue bonds are payable solely from the net revenues derived from the project, and the bonds are collateralized by a mortgage on the project and the lease contract.

Since each bond issued by the City is payable solely from the net revenues derived from the related project through lease payments, and since the bonds are not a general obligation of the City, the bonds and related lease contracts have not been reflected in the financial statements of the City.

As of March 31, 2007, the City has issued revenue bonds, as described above. Following are details of the bond issues.

<u>Project</u>	<u>Amount of Revenue Date of Bond Closing</u>	<u>Bonds Issued</u>
Brown City Pharmacy	October 02, 1989	\$ 31,727
Great Reflections	June 06, 1992	83,145
Master Floor Covering	April 15, 2003	33,465
Total		<u>\$ 148,337</u>

### **Required Supplemental Information**

**City of Brown City**  
Required Supplemental Information  
Budgetary Comparison Schedule  
General Fund  
For The Year Ended March 31, 2007

<b><u>Revenues</u></b>	<b><u>Original Budget</u></b>	<b><u>Amended Budget</u></b>	<b><u>Actual</u></b>	<b><u>Variance with Amended Budget</u></b>
<b><u>Taxes</u></b>				
Current Property Taxes	\$ 369,890.00	\$ 369,890.00	\$ 414,048.99	\$ 44,158.99
 <b><u>State Shared Revenues</u></b>	161,800.00	161,800.00	159,202.00	(2,598.00)
 <b><u>Liquor Licenses</u></b>	1,350.00	1,350.00	1,323.85	(26.15)
 <b><u>Charges for Services</u></b>				
Refuse Collection Fees	43,300.00	43,300.00	43,441.20	141.20
District Court & Public Hearing Fees	210.00	210.00	188.66	(21.34)
Collection Fees	10,640.00	10,640.00	9,358.53	(1,281.47)
 <b><u>Miscellaneous Revenues</u></b>				
Admin's Fees / Benefit Charges / Rentals	155,180.00	155,180.00	134,522.35	(20,657.65)
Franchise Fees	2,820.00	2,820.00	2,813.05	(6.95)
Grant Proceeds	-	-	-	-
Loan Proceeds	-	-	-	-
County Road Millage	44,210.00	44,210.00	44,202.33	(7.67)
Sale of Fixed Assets	-	-	-	-
Donations	-	-	-	-
Miscellaneous	14,600.00	14,600.00	16,665.92	2,065.92
 <b><u>Interest Earnings</u></b>	20,500.00	20,500.00	26,056.89	5,556.89
 <b><u>Total Revenues</u></b>	<b><u>\$ 824,500.00</u></b>	<b><u>\$ 824,500.00</u></b>	<b><u>\$ 851,823.77</u></b>	<b><u>\$ 27,323.77</u></b>



**City of Brown City**  
Required Supplemental Information  
Budgetary Comparison Schedule  
General Fund  
For The Year Ended March 31, 2007

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance with Amended Budget</b>
<b><u>Expenditures</u></b>				
<b><u>General Government</u></b>				
Council	\$ 28,630.00	\$ 28,630.00	\$ 22,035.20	\$ 6,594.80
Mayor	1,680.00	1,680.00	1,292.00	388.00
City Manager	75,020.00	75,800.00	75,689.07	110.93
Elections	3,450.00	3,450.00	3,305.60	144.40
Assessor	9,250.00	9,250.00	8,821.92	428.08
Clerk	89,620.00	92,190.00	87,948.57	4,241.43
Board of Review	700.00	650.00	557.22	92.78
Treasurer	16,900.00	16,900.00	17,864.35	(964.35)
City Hall & Grounds	47,450.00	43,550.00	31,052.88	12,497.12
<b><u>Total General Government</u></b>	<b><u>272,700.00</u></b>	<b><u>272,100.00</u></b>	<b><u>248,566.81</u></b>	<b><u>23,533.19</u></b>
<b><u>Public Safety</u></b>				
Police Department	156,400.00	153,800.00	137,441.82	16,358.18
Fire Protection	25,600.00	25,600.00	25,532.85	67.15
<b><u>Total Public Safety</u></b>	<b><u>182,000.00</u></b>	<b><u>179,400.00</u></b>	<b><u>162,974.67</u></b>	<b><u>16,425.33</u></b>
<b><u>Public Works</u></b>				
Department of Public Works	52,670.00	57,670.00	56,268.27	1,401.73
Parking Lot	2,350.00	2,650.00	2,109.19	540.81
Sidewalks	6,350.00	6,550.00	5,826.57	723.43
Drains at Large	1,800.00	1,800.00	764.72	1,035.28
Refuse Collection	40,580.00	47,980.00	47,603.10	376.90
Library	23,700.00	23,700.00	22,515.32	1,184.68
Street Lighting	24,500.00	22,500.00	23,763.12	(1,263.12)
<b><u>Total Public Works</u></b>	<b><u>151,950.00</u></b>	<b><u>162,850.00</u></b>	<b><u>158,850.29</u></b>	<b><u>3,999.71</u></b>
<b><u>Capital Outlay</u></b>	<b><u>49,170.00</u></b>	<b><u>48,670.00</u></b>	<b><u>44,226.15</u></b>	<b><u>4,443.85</u></b>
<b><u>Debt Service - Principal</u></b>	<b><u>14,400.00</u></b>	<b><u>14,400.00</u></b>	<b><u>14,210.00</u></b>	<b><u>190.00</u></b>
<b><u>Debt Service - Interest</u></b>	<b><u>3,900.00</u></b>	<b><u>3,700.00</u></b>	<b><u>3,308.40</u></b>	<b><u>391.60</u></b>
<b><u>Other Functions</u></b>				
Community Promotion	18,510.00	18,510.00	15,549.53	2,960.47
Insurance, Bonds, & Fringe Benefits	62,970.00	55,970.00	35,202.47	20,767.53
<b><u>Total Other Functions</u></b>	<b><u>81,480.00</u></b>	<b><u>74,480.00</u></b>	<b><u>50,752.00</u></b>	<b><u>23,728.00</u></b>
<b><u>Total Expenditures</u></b>	<b><u>755,600.00</u></b>	<b><u>755,600.00</u></b>	<b><u>682,888.32</u></b>	<b><u>72,711.68</u></b>
<b><u>Excess of Revenues Over</u></b>				
<b><u>(Under) Expenditures</u></b>	68,900.00	68,900.00	168,935.45	100,035.45
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers In (Out)	(68,900.00)	(68,900.00)	(68,400.00)	500.00
<b><u>Excess of Revenues &amp; Other Sources Over</u></b>				
<b><u>(Under) Expenditures &amp; Other Uses</u></b>	-	-	100,535.45	100,535.45
<b><u>Fund Balance - Beginning of Year</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>631,967.10</u></b>	<b><u>631,967.10</u></b>
<b><u>Fund Balance - End of Year</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 732,502.55</u></b>	<b><u>\$ 732,502.55</u></b>

**City of Brown City**  
Required Supplemental Information  
Budgetary Comparison Schedule  
Major Street Fund  
For The Year Ended March 31, 2007

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance with Amended Budget</b>
<b><u>Revenues</u></b>				
State Shared Revenue - Gas & Weight Tax	\$ 66,350.00	\$ 66,350.00	\$ 68,510.33	\$ 2,160.33
State Trunk Line Maintenance	11,600.00	11,600.00	11,599.63	(0.37)
Interest Earnings	2,050.00	2,050.00	2,065.64	15.64
Miscellaneous	100.00	100.00	370.39	270.39
<u>Total Revenues</u>	<u>80,100.00</u>	<u>80,100.00</u>	<u>82,545.99</u>	<u>2,445.99</u>
<b><u>Expenditures</u></b>				
Routine Maintenance	19,310.00	18,860.00	18,865.47	(5.47)
Traffic Services	800.00	800.00	798.34	1.66
Snow & Ice Removal	8,500.00	6,500.00	4,728.02	1,771.98
Administration/Insurance	27,790.00	29,490.00	13,778.03	15,711.97
Trunk Line Maintenance	14,900.00	15,650.00	14,386.96	1,263.04
Capital Outlay	47,000.00	47,000.00	46,333.01	666.99
<u>Total Expenditures</u>	<u>118,300.00</u>	<u>118,300.00</u>	<u>98,889.83</u>	<u>19,410.17</u>
<b><u>Excess of Revenues Over (Under) Expenditures</u></b>	<u>(38,200.00)</u>	<u>(38,200.00)</u>	<u>(16,343.84)</u>	<u>21,856.16</u>
<b><u>Other Financing Sources (Uses)</u></b>				
<u>Transfers In (Out)</u>	<u>(12,600.00)</u>	<u>(12,600.00)</u>	<u>-</u>	<u>12,600.00</u>
<b><u>Excess of Revenues &amp; Other Sources Over (Under) Expenditures &amp; Other Uses</u></b>	<u>(50,800.00)</u>	<u>(50,800.00)</u>	<u>(16,343.84)</u>	<u>34,456.16</u>
<b><u>Fund Balance - Beginning of Year</u></b>	<u>50,800.00</u>	<u>50,800.00</u>	<u>51,927.31</u>	<u>1,127.31</u>
<b><u>Fund Balance - End of Year</u></b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,583.47</u>	<u>\$ 35,583.47</u>

**City of Brown City**  
Required Supplemental Information  
Budgetary Comparison Schedule  
Local Street Fund  
For The Year Ended March 31, 2007

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance with Amended Budget</b>
<b><u>Revenues</u></b>				
State Shared Revenue - Gas & Weight Tax	\$ 24,000.00	\$ 24,000.00	\$ 25,188.26	\$ 1,188.26
Interest Earnings	1,800.00	1,800.00	1,422.97	(377.03)
Miscellaneous	4,300.00	4,300.00	4,293.53	(6.47)
<u>Total Revenues</u>	<u>30,100.00</u>	<u>30,100.00</u>	<u>30,904.76</u>	<u>804.76</u>
<b><u>Expenditures</u></b>				
Routine Maintenance	25,800.00	25,800.00	17,341.79	8,458.21
Traffic Services	500.00	500.00	316.98	183.02
Snow & Ice Removal	11,500.00	9,300.00	5,772.75	3,527.25
Administration/Insurance	11,920.00	14,120.00	11,580.77	2,539.23
Capital Outlay	-	-	-	-
<u>Total Expenditures</u>	<u>49,720.00</u>	<u>49,720.00</u>	<u>35,012.29</u>	<u>14,707.71</u>
<b><u>Excess of Revenues Over (Under) Expenditures</u></b>	<u>(19,620.00)</u>	<u>(19,620.00)</u>	<u>(4,107.53)</u>	<u>15,512.47</u>
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers In (Out)	12,600.00	12,600.00	-	(12,600.00)
<b><u>Excess of Revenues &amp; Other Sources Over (Under) Expenditures &amp; Other Uses</u></b>	<u>(7,020.00)</u>	<u>(7,020.00)</u>	<u>(4,107.53)</u>	<u>2,912.47</u>
<b><u>Fund Balance - Beginning of Year</u></b>	<u>7,020.00</u>	<u>7,020.00</u>	<u>23,237.48</u>	<u>16,217.48</u>
<b><u>Fund Balance - End of Year</u></b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,129.95</u>	<u>\$ 19,129.95</u>

**City of Brown City**  
Required Supplemental Information  
Budgetary Comparison Schedule  
Arsenic Abatement Fund  
For The Year Ended March 31, 2007

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance with Amended Budget</b>
<b><u>Revenues</u></b>				
Arsenic Operating Fees	\$ 38,700.00	\$ 38,700.00	\$ 38,527.69	\$ (172.31)
Interest Earnings	2,100.00	2,100.00	2,042.98	(57.02)
<b><u>Total Revenues</u></b>	<b>40,800.00</b>	<b>40,800.00</b>	<b>40,570.67</b>	<b>(229.33)</b>
<b><u>Expenditures</u></b>				
Wages / Taxes / Benefits	6,900.00	6,900.00	6,859.06	40.94
Administration Fees	4,420.00	4,420.00	3,322.23	1,097.77
Professional Fees	49,775.00	49,775.00	33,360.00	16,415.00
Miscellaneous	24,705.00	24,705.00	501.10	24,203.90
<b><u>Total Expenditures</u></b>	<b>85,800.00</b>	<b>85,800.00</b>	<b>44,042.39</b>	<b>41,757.61</b>
<b><u>Excess of Revenues Over (Under) Expenditures</u></b>	<b>(45,000.00)</b>	<b>(45,000.00)</b>	<b>(3,471.72)</b>	<b>41,528.28</b>
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers In (Out)	45,000.00	45,000.00	86,661.91	41,661.91
<b><u>Excess of Revenues &amp; Other Sources Over Expenditures &amp; Other Uses</u></b>	<b>-</b>	<b>-</b>	<b>83,190.19</b>	<b>83,190.19</b>
<b><u>Fund Balance - Beginning of Year</u></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b><u>Fund Balance - End of Year</u></b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 83,190.19</b>	<b>\$ 83,190.19</b>

**City of Brown City**  
Required Supplemental Information  
Budgetary Comparison Schedule  
Cemetery Operating Fund  
For The Year Ended March 31, 2007

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance with Amended Budget</b>
<b><u>Revenues</u></b>				
Lot Sales	\$ 3,500.00	\$ 3,500.00	\$ 2,675.00	\$ (825.00)
Grave Openings	13,000.00	13,000.00	12,000.00	(1,000.00)
Interest Earnings	2,400.00	2,400.00	2,226.77	(173.23)
Other Revenue	100.00	100.00	1.59	(98.41)
<b><u>Total Revenues</u></b>	<b>19,000.00</b>	<b>19,000.00</b>	<b>16,903.36</b>	<b>(2,096.64)</b>
<b><u>Expenditures</u></b>				
Contractual Services	3,800.00	3,800.00	3,600.00	200.00
Administration Fees	690.00	690.00	500.00	190.00
Repairs & Maintenance	2,800.00	2,800.00	2,445.99	354.01
Operating Supplies	750.00	750.00	437.64	312.36
Equipment Rental	500.00	500.00	-	500.00
Grave Openings	8,200.00	8,200.00	8,200.00	-
Miscellaneous	6,460.00	6,460.00	430.00	6,030.00
<b><u>Total Expenditures</u></b>	<b>23,200.00</b>	<b>23,200.00</b>	<b>15,613.63</b>	<b>7,586.37</b>
<b><u>Excess of Revenues Over (Under) Expenditures</u></b>	<b>(4,200.00)</b>	<b>(4,200.00)</b>	<b>1,289.73</b>	<b>5,489.73</b>
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers In (Out)	4,200.00	4,200.00	4,001.28	(198.72)
<b><u>Excess of Revenues &amp; Other Sources Over Expenditures &amp; Other Uses</u></b>	<b>-</b>	<b>-</b>	<b>5,291.01</b>	<b>5,291.01</b>
<b><u>Fund Balance - Beginning of Year</u></b>	<b>-</b>	<b>-</b>	<b>46,532.57</b>	<b>46,532.57</b>
<b><u>Fund Balance - End of Year</u></b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 51,823.58</b>	<b>\$ 51,823.58</b>

**City of Brown City**  
Required Supplemental Information  
Budgetary Comparison Schedule  
Downtown Development Authority  
For The Year Ended March 31, 2007

	<b>Original</b>	<b>Amended</b>		<b>Variance with</b>
<b><u>Revenues</u></b>	<b><u>Budget</u></b>	<b><u>Budget</u></b>	<b><u>Actual</u></b>	<b><u>Amended</u></b>
Interest Earnings	\$ 4.00	\$ 4.00	\$ 300.66	\$ 296.66
<b><u>Total Revenues</u></b>	<b><u>4.00</u></b>	<b><u>4.00</u></b>	<b><u>300.66</u></b>	<b><u>296.66</u></b>
<b><u>Expenditures</u></b>	<b><u>350.00</u></b>	<b><u>350.00</u></b>	<b><u>250.00</u></b>	<b><u>100.00</u></b>
<b><u>Total Expenditures</u></b>	<b><u>350.00</u></b>	<b><u>350.00</u></b>	<b><u>250.00</u></b>	<b><u>100.00</u></b>
<b><u>Excess of Revenues Over</u></b>				
<b><u>(Under) Expenditures</u></b>	(346.00)	(346.00)	50.66	396.66
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers In (Out)	-	-	-	-
<b><u>Excess of Revenues &amp; Other Sources</u></b>				
<b><u>Over Expenditures &amp; Other Uses</u></b>	(346.00)	(346.00)	50.66	396.66
<b><u>Fund Balance - Beginning of Year</u></b>	<b><u>346.00</u></b>	<b><u>346.00</u></b>	<b><u>23,461.04</u></b>	<b><u>23,115.04</u></b>
<b><u>Fund Balance - End of Year</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 23,511.70</u></b>	<b><u>\$ 23,511.70</u></b>

**City of Brown City**  
Required Supplemental Information  
Budgetary Comparison Schedule  
Park Fund  
For The Year Ended March 31, 2007

	<b>Original</b>	<b>Amended</b>		<b>Variance with</b>
<b>Revenues</b>	<b>Budget</b>	<b>Budget</b>	<b>Actual</b>	<b>Amended</b>
				<b>Budget</b>
Property Taxes	\$ 28,900.00	\$ 28,900.00	\$ 30,578.52	\$ 1,678.52
Contributions & Donations	3,000.00	3,000.00	5,000.00	2,000.00
Pavilion Rental	550.00	550.00	735.00	185.00
Miscellaneous	700.00	700.00	819.80	119.80
Interest Earnings	600.00	600.00	657.64	57.64
<b>Total Revenues</b>	<b>33,750.00</b>	<b>33,750.00</b>	<b>37,790.96</b>	<b>4,040.96</b>
<b>Expenditures</b>				
Salaries & Wages	21,200.00	21,200.00	20,776.25	423.75
FICA Expense	400.00	400.00	355.85	44.15
Operating Supplies	2,900.00	2,950.00	2,304.93	645.07
Utilities	1,000.00	950.00	882.30	67.70
Repairs & Maintenance	5,000.00	5,000.00	4,788.35	211.65
Equipment Rent	300.00	300.00	279.54	20.46
Insurance	1,220.00	1,220.00	1,213.00	7.00
Miscellaneous	4,150.00	4,150.00	3,566.00	584.00
Capital Outlay	-	-	-	-
<b>Total Expenditures</b>	<b>36,170.00</b>	<b>36,170.00</b>	<b>34,166.22</b>	<b>2,003.78</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(2,420.00)</b>	<b>(2,420.00)</b>	<b>3,624.74</b>	<b>6,044.74</b>
<b>Other Financing Sources (Uses)</b>				
Transfers In (Out)	-	-	-	-
<b>Excess of Revenues &amp; Other Sources Over Expenditures &amp; Other Uses</b>	<b>(2,420.00)</b>	<b>(2,420.00)</b>	<b>3,624.74</b>	<b>6,044.74</b>
<b>Fund Balance - Beginning of Year</b>	<b>2,420.00</b>	<b>2,420.00</b>	<b>31,335.58</b>	<b>28,915.58</b>
<b>Fund Balance - End of Year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 34,960.32</b>	<b>\$ 34,960.32</b>

## **Other Supplemental Information**



**City of Brown City**  
Other Supplemental Information  
Combining Statement of Net Assets  
Fiduciary Funds  
March 31, 2007

	Pension & Other Trust Funds			Agency Funds		
	Cemetery Perpetual Care		Totals	Payroll	Investment	Totals
<u>Assets</u>	Expendable Trust	Nonexpendable Trust		Fund	Fund	
Cash - Savings & Certificates	\$ -	\$ 97,990.13	\$ 97,990.13	\$ 740.00	\$ 1,199,516.53	\$ 1,200,256.53
Due From Other Funds	-	-	-	-	-	-
<u>Total Assets</u>	<u>\$ -</u>	<u>\$ 97,990.13</u>	<u>\$ 97,990.13</u>	<u>\$ 740.00</u>	<u>\$ 1,199,516.53</u>	<u>\$ 1,200,256.53</u>
<u>Liabilities &amp; Net Assets</u>						
<u>Liabilities</u>						
Due To:						
Water	\$ -	\$ -	\$ -	\$ -	\$ 257,689.63	\$ 257,689.63
General	-	-	-	740.00	670,691.33	671,431.33
Motor Vehicle Equipment Pool	-	-	-	-	13,937.35	13,937.35
Major Street	-	-	-	-	35,486.27	35,486.27
Local Street	-	-	-	-	19,032.41	19,032.41
Cemetery Operating	-	154.87	154.87	-	6,562.31	6,562.31
Sewage Disposal System	-	-	-	-	167,146.63	167,146.63
Parks	-	-	-	-	28,970.60	28,970.60
Due To Other Governmental Units	-	-	-	-	-	-
<u>Total Liabilities</u>	<u>-</u>	<u>154.87</u>	<u>154.87</u>	<u>\$ 740.00</u>	<u>\$ 1,199,516.53</u>	<u>\$ 1,200,256.53</u>
<u>Net Assets</u>						
Held in Trust for Cemetery Perpetual Care	-	97,835.26	97,835.26			
Unreserved - Undesignated	-	-	-			
<u>Total Net Assets</u>	<u>-</u>	<u>97,835.26</u>	<u>97,835.26</u>			
<u>Total Liabilities &amp; Net Assets</u>	<u>\$ -</u>	<u>\$ 97,990.13</u>	<u>\$ 97,990.13</u>			

**City of Brown City**  
Other Supplemental Information  
Combining Statement of Changes in Net Assets  
Fiduciary Funds  
March 31, 2007

	<b>Pension &amp; Other Trust Funds</b>		
	<b>Cemetery Perpetual Care</b>		
	<b>Expendable</b>	<b>Nonexpendable</b>	
	<b>Trust</b>	<b>Trust</b>	<b>Totals</b>
<b><u>Additions</u></b>			
Interest Income - Perpetual Care	\$ 4,001.28	\$ -	\$ 4,001.28
Sale of Lots - Perpetual Care	-	3,275.00	3,275.00
<u>Total Additions</u>	<u>4,001.28</u>	<u>3,275.00</u>	<u>7,276.28</u>
<b><u>Deductions</u></b>			
Contribution To (From) Other Funds	<u>4,001.28</u>	<u>-</u>	<u>4,001.28</u>
<u>Total Deductions</u>	<u>4,001.28</u>	<u>-</u>	<u>4,001.28</u>
<b><u>Net Increase</u></b>	-	3,275.00	3,275.00
<b><u>Net Assets - Beginning of Year</u></b>	<u>-</u>	<u>94,560.26</u>	<u>94,560.26</u>
<b><u>Net Assets - End of Year</u></b>	<u>\$ -</u>	<u>\$ 97,835.26</u>	<u>\$ 97,835.26</u>

**City of Brown City**  
Other Supplemental Information  
Schedule of Indebtedness  
March 31, 2007

**Series 2002 Sanilac Co., Brown City Water Tower  
Rehabilitation Project Bonds**

Dated: March 1, 2003  
Original Issue: \$200,000

<b>Interest Rate</b>	<b>Date of Maturity</b>	<b>Principal Outstanding March 31,</b>		<b>Remaining Annual Interest Payable</b>
		<b>2007</b>	<b>2006</b>	
3.35%	3/1/2007	\$ -	\$ 20,000	\$ -
3.35%	3/1/2008	20,000	20,000	3,350
3.35%	3/1/2009	20,000	20,000	2,680
3.35%	3/1/2010	20,000	20,000	2,010
3.35%	3/1/2011	20,000	20,000	1,340
3.35%	3/1/2012	20,000	20,000	670
<b><u>Total Revenue Bonds</u></b>		<b><u>\$ 100,000</u></b>	<b><u>\$ 120,000</u></b>	<b><u>\$ 10,050</u></b>

**U.S. Department of Agriculture Rural Development  
Used to Purchase the East Six Acres of Industrial Park**

Dated: September 30, 2004  
Original Issue: \$70,000

<b>Interest Rate</b>	<b>Date of Maturity</b>	<b>Principal Outstanding March 31,</b>		<b>Remaining Annual Interest Payable</b>
		<b>2007</b>	<b>2006</b>	
4.75%	5/1/2006	\$ -	\$ 6,000	\$ -
4.75%	5/1/2007	6,000	6,000	2,755
4.75%	5/1/2008	7,000	7,000	2,470
4.75%	5/1/2009	7,000	7,000	2,138
4.75%	5/1/2010	7,000	7,000	1,805
4.75%	5/1/2011	7,000	7,000	1,472
4.75%	5/1/2012	8,000	8,000	1,140
4.75%	5/1/2013	8,000	8,000	760
4.75%	5/1/2014	8,000	8,000	380
<b><u>Total Note Payable</u></b>		<b><u>\$ 58,000</u></b>	<b><u>\$ 64,000</u></b>	<b><u>\$ 12,920</u></b>

**Ford Motor Credit Company  
2005 Ford Crown Victoria**

Dated: February 14, 2005  
Original Issue: \$24,651

<b>Interest Rate</b>	<b>Date of Maturity</b>	<b>Principal Outstanding March 31,</b>		<b>Remaining Annual Interest Payable</b>
		<b>2007</b>	<b>2006</b>	
5.00%	2/14/2007	\$ -	\$ 8,210	\$ -
<b><u>Total Note Payable</u></b>		<b><u>\$ -</u></b>	<b><u>\$ 8,210</u></b>	<b><u>\$ -</u></b>
<b><u>Total Revenue Bonds &amp; Notes Payable</u></b>		<b><u>\$ 158,000</u></b>	<b><u>\$ 192,210</u></b>	<b><u>\$ 22,970</u></b>